

Message Text

SECRET

PAGE 01 STATE 238326

43

ORIGIN SS-25

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EXDIS FOR EUR ASSISTANT SECRETARY HARTMAN FROM ARMITAGE

E.O. 11652: XGDS 2 AND 3

TAGS: TSPA, ACOM, PFOR, RO

SUBJECT:VIP TELECOMMUNICATIONS EQUIPMENT

REF: BUCHAREST 5364

1. THE FOLLOWING IS INTENDED AS BACKGROUND FOF EMBASSY AND
AS GUIDANCE FOR DISCUSSIONS WITH GOR OFFICIALS IN RESPONSE
TO ISSUES RAISED IN REFTEL.

2. MOTOROLA PROPOSAL

(A) THE PROJECT UNDER MOTOROLA CONSIDERATION DEALS WITH AN
IN-COUNTRY MOBILE TELEPHONE SYSTEM HAVING THE CAPABILITY TO
BE LINKED TO RIVERBOATS AND AIRCRAFT. THE SYSTEM WILL BE
TIED INTO EXISTING ROMANIAN TELEPHONE NETWORK. IN EARLY
DISCUSSIONS, THE PROJECT WAS REFERRED TO AS A "MOBILE VIP

SECRET

SECRET

PAGE 02 STATE 238326

GROUND COMMUNICATIONS NETWORK" (SEE BUCHAREST 75 6425) BUT

IS NOW CALLED "IMTS". (SEE PARA 2(F) BELOW FOR EXIM'S TITLE OF PROJECT).

(B) THE MOTOROLA PROPOSAL IS COMPLETELY DISTINCT FROM THE VIP TELECOMMUNICATIONS PROJECT WHICH, AS EMBASSY KNOWS, DEALS WITH COMMUNICATIONS EQUIPMENT FOR CEAUSESCU'S PRESENT (OR FUTURE) AIRCRAFT. IN EARLY DISCUSSIONS BETWEEN THE GOR

AND POTENTIAL AMERICAN SUPPLIERS, THE ROMANIANS INCLUDED A REQUIREMENT FOR A TIE-IN CAPABILITY FROM THE VIP AIRCRAFT TO IMTS. HOWEVER, WE UNDERSTAND THAT AT THIS TIME THIS TIE-IN CAPABILITY IS NO LONGER A REQUIREMENT, SINCE THE ROMANIANS WILL BE GIVEN THE OPTION OF INSTALLING THEIR OWN APPROPRIATE DEVICES IN THE VIP AIRCRAFT.

(C) WE HAVE BEEN IN TOUCH WITH MOTOROLA HEADQUARTERS AS WELL AS WITH THEIR WASHINGTON REPRESENTATIVE. HAVING DECIDED THAT THE MOTOROLA PROJECT DOES NOT REQUIRE SPECIAL HANDLING, WE TOLD MOTOROLA TO PROCEED DIRECTLY AND ROUTINELY WITH WHATEVER EXPORT LICENSE APPLICATIONS WERE REQUIRED.

(D) MOTOROLA'S ORIGINAL REQUEST TO EXIM FOR FINANCING RESULTED IN EXIM BOARD APPROVAL ON MAY 27 OF PRELIMINARY COMMITMENT FOR THIS PROJECT WHICH WOULD HAVE TOTAL U.S. EXPORT VALUE OF GOODS AND SERVICES OF \$12.7 MILLION. MOTOROLA STATED AT THE TIME OF APPLICATION THAT IT EXPECTED COMPETITION FROM FRENCH (CSF THOMPSON) AND FROM FRG (TEKADE), BUT THAT COMPANY NEVERTHELESS WAS CONFIDENT IT COULD WIN THE BUSINESS WITH THE EXIM TERMS IT HAD REQUESTED. EXIM BANK CONFIRMED THROUGH ITS OWN CHANNELS THAT BOTH HERMES AND COFASE HAD AGREED TO REQUESTS FOR FINANCING FOR FRG AND FRENCH CONTRACTS FOR THIS PROJECT. THE EXIM PC EXPIRED ON AUGUST 31, BUT SUBSEQUENTLY WAS EXTENDED UNTIL OCTOBER 31 BY EXIM, FOLLOWING REQUEST FROM MOTOROLA IN EARLY SEPTEMBER. AT THAT TIME, MOTOROLA INFORMED EXIM THAT THEY BELIEVED THEY HAD VERY GOOD CHANCE OF GETTING THE ORDER BY THE END OF SEPTEMBER, ALTHOUGH THEY DID NOT RULE OUT A DELAY OF A MONTH.

SECRET

SECRET

PAGE 03 STATE 238326

(E) WE SHARE EMBASSY'S VIEW THAT IT WOULD BE PREFERABLE NOT REPEAT NOT TO HAVE EXIM INVOLVEMENT IN MOTOROLA SALE SINCE, EVEN THOUGH IT IS DISTINCT FROM THE VIP TELECOMMUNICATIONS PROJECT, THERE IS NEVERTHELESS THE POSSIBLE RISK THAT PUBLIC AND/OR CONGRESSIONAL QUESTIONS COULD EVENTUALLY LEAD TO QUESTIONS WHICH COULD JEOPARDIZE CONFIDENTIALITY OF THE VIP TELECOMMUNICATIONS PROJECT ON WHICH COLLINS AND E-SYSTEMS ARE WORKING. HOWEVER, WE DO NOT BELIEVE WE CAN ASK

MOTOROLA TO WITHDRAW ITS APPLICATION IN LIGHT OF INFO FROM EXIM (RECEIVED FROM EXIM ON PERSONAL AND CONFIDENTIAL BASIS) THAT MOTOROLA DOES HAVE COMPETITION IN THE SALE. FURTHERMORE, WE OF COURSE WOULD NOT WANT TO MAKE ANY SUGGESTIONS TO ROMANIANS WHICH COULD RESULT IN MOTOROLA LOSING THE SALE. HOWEVER, ASSUMING ROMANIANS SHARE OUR CONCERN ABOUT POSSIBLE RISK TO CONFIDENTIALITY OF VIP COMMUNICATIONS PROJECT, EMBASSY MAY WISH TO EXPLORE WHETHER ROMANIANS WOULD BE WILLING TO PAY CASH FOR THE MOTOROLA PROJECT AND

THEREBY AVOID ANY RISK OF THIS NATURE.

(F) ASSUMING ROMANIANS BUY MOTOROLA EQUIPMENT WITH EXIM CREDIT, EXIM WILL BE REQUIRED TO ANNOUNCE THIS PUBLICLY AS PART OF A MONTHLY PRESS RELEASE WHICH CONTAINS COMPENDIUM OF ALL RECENT EXIM CREDITS. INFO ON TRANSACTION WOULD BE BRIEF AND GENERAL IN NATURE, ALONG LINES OF "SALE OF NATION-WIDE MOBILE RADIO COMMUNICATION SYSTEM FOR THE ROMANIAN POST AND TELEGRAPH". SIMILARLY, REPORT OF CREDIT TO CONGRESS WOULD ALSO BE MADE AS PART OF EAST-WEST TRADE BOARD'S QUARTERLY REPORT AS REQUIRED BY TRADE ACT OF 1974. THIS INFO WOULD ALSO BE BRIEF AND GENERAL. WE WOULD PLAN TO WORK CLOSELY WITH EXIM ON WORDING OF SUCH PUBLIC INFO ON THE MOTOROLA SALE IN EFFORT TO MINIMIZE RISK OF QUESTIONS AND/OR CONTROVERSY.

3. VIP TELECOMMUNICATIONS SYSTEM

(A) IN HIS DISCUSSIONS WITH GOR DURING THE PAST TWO YEARS, DR. GANLEY HAS ALWAYS STRESSED THAT THE PROJECT WOULD HAVE TO BE DONE ON A CASH-AND-CARRY BASIS.

(B) AT THE PRESENT TIME, THE VIP PACKAGE HAS TWO ASPECTS:

SECRET

SECRET

PAGE 04 STATE 238326

(1) THE POSSIBILITY OF THE GOR PURCHASING A NEW AIRCRAFT FOR CEAUSESCU AND (2) THE ACQUISITION OF SECURE TELECOMMUNICATIONS EQUIPMENT FOR HIS PRESENT OR NEW AIRCRAFT AND A NUMBER OF GROUND SUPPORT FACILITIES. WE HAVE NOT YET REACHED A DECISION AS TO WHETHER OR NOT WE WOULD SUPPORT EXIM FINANCING OF A NEW PRESIDENTIAL AIRCRAFT. IT APPEARS POSSIBLE ON FIRST EXAMINATION THAT EXIM COULD FINANCE SUCH A SALE WITHOUT RAISING QUESTIONS CONCERNING THE RELATED TELECOMMUNICATIONS EQUIPMENT.

(C) ON THE OTHER HAND, WE ARE RESOLUTELY OPPOSED TO EXIM FINANCING OF THE COLLINS TELECOMMUNICATIONS EQUIPMENT AND INTEND TO INFORM COLLINS OF THIS POSITION WHEN WERBECK AND LATTA CALL ON GANLEY SEPTEMBER 24. WE BELIEVE EMBASSY SHOULD ALSO ALERT APPROPRIATE GOR OFFICIALS TO THE RISK OF

PUBLIC ATTENTION INHERENT IN EXIM FINANCING OF THIS EQUIPMENT, STRESSING THAT REQUIRED PUBLIC ANNOUNCEMENTS AND OTHER PUBLICITY COULD VERY EASILY JEOPARDIZE THE ENTIRE TRANSACTION. (LATTA REPORTS THAT THE INQUIRY REGARDING POSSIBLE EXIM INVOLVEMENT FOR THE VIP PACKAGE WAS MADE BY MR. HARABAGIU, DIRECTOR GENERAL OF TEKNO-IMPORT, AND HIS ASSOCIATE, MR. ATANASIU.) KISSINGER

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